JOVIAN
CAPITAL CORPORATION

2004 Annual Report

Contents

LETTER TO SHAREHOLDERS

It has been an exciting year in the evolution of Jovian Capital Corporation (Jovian). Throughout the year, we remained focused on building a profitable management and holding company that invests in the financial service sector.

We now own interest in 10 companies involved in the manufacture and delivery of financial solutions to Canadian investors from all walks of life and from coast to coast. Together, our affiliated companies are responsible for more than $6 billion in client assets.

During the year, we strengthened our balance sheet by raising $17 million through a private placement. We also secured a $9 million acquisition line of credit from Brascan Financial Corporation.

We diversified our investment portfolio with a number of key mergers and acquisitions, particularly in the wealth management sector. With 60 years' combined experience serving their respective markets, both Rice Financial Group Inc. and T.E. Financial Consultants Ltd. added depth and breadth to our portfolio.

The dedication, commitment and skill of employees throughout the organization has facilitated great strides and enabled us to deliver solid results. For their efforts in helping us complete several operational and strategic initiatives, I thank everyone.

Looking forward, we are optimistic Jovian will continue to grow both organically and through acquisition. Once our strategy and ability to execute become more evident, we should enjoy a higher profile with investors.

We believe we will continue to show improving financial results, which in turn will create increased shareholder value. That said, it will likely be mid-year before the full impact of our efforts becomes apparent.

Subsequent to our year-end, we entered into an agreement to purchase Leon Frazer and Associates Inc. (Leon Frazer), an investment counselor with approximately $735 million assets under management. Established in 1939, Leon Frazer is one of Canada's oldest investment counselors. The company focuses primarily on managing individual equity portfolios and has established an excellent performance record for its clients. We are confident Leon Frazer will become a significant contributor to our earnings.

We will continue to actively pursue strategic acquisitions that provide attractive returns. In particular, we will focus on strengthening our asset management platform, and challenging our companies to pursue aggressive growth strategies.

We look forward to another successful year and thank you for your support.

Philip Armstrong
President & CEO, Jovian Capital Corporation

Jovian Capital Corporation

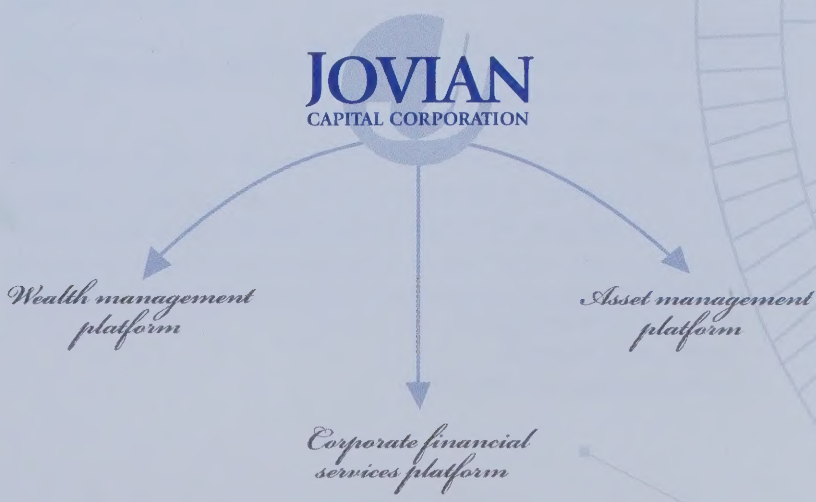
Jovian Capital Corporation (Jovian) is a publicly traded holding and management company that invests in and grows a diversified range of companies in the financial service sector. These companies provide an extensive range of financial solutions for Canadian investors from all walks of life. Responsible for approximately $6 billion in client assets, Jovian companies provide wealth accumulation, asset protection and service solutions under a number of consumer brands. Jovian provides overall structure, strategic direction and management oversight, as well as economies of scale to each of its affiliated companies.

Mission

To build a profitable, dividend-paying company that delivers quality financial solutions to our clients.

Corporate Structure

Jovian invests in companies that operate within three primary market segments: wealth management, asset management and corporate financial services. Mandated to create a community of interest within each market segment and across three platforms, Jovian is committed to ensuring each entity operates as a strong competitor within its vertical.



Strategy

Jovian's strategy is to generate shareholder value by developing a business model wherein we create diversity and balance by investing in companies involved in wealth management, asset management, and the provision of services to the financial sector. Jovian does not seek to consolidate or integrate the companies in which we invest, but rather to leverage each company's established brand and maximize operating efficiencies.

Jovian:

- Focuses on acquiring and growing financial companies with strong consumer brand recognition in their respective markets, a demonstrated commitment to creating value for their clients, and growth potential supported by favorable demographic trends
- Develops and grows financial companies with innovative ideas and/or unique skill sets
- Is committed to building a management team experienced in all areas of the financial sector, with a demonstrated record of creating shareholder value
- Develops and maintains cost-effective business platforms to support operating efficiencies among our affiliate companies
- Provides capital to help our companies grow

2004 Accomplishments

- Became a public company after the merger with Rice Capital Management Plus Inc.
- Made several key acquisitions
- Returned Rice Financial to profitability
- Attracted a number of key individuals to the company
- Raised over $17 million in new investor capital
- Procured an acquisition facility from Brascan Financial Corporation

2005 Priorities

- Continue to grow our earnings
- Increase our public profile
- Further strengthen our balance sheet

Jovian does not seek to consolidate or integrate the companies in which we invest

Wealth Management

McFarlane Gordon Inc.

Business Profile

McFarlane Gordon Inc. (MGI) is an established, full-service Canadian investment dealer, offering professional wealth management solutions to investors, along with a comprehensive range of specialized services for institutional investors. An IDA member, the company provides services under two primary platforms:

Wealth Management

Advising and trading on:

- Stocks, bonds, funds & income trusts
- Alternative investments

Capital Markets

- Institutional equity sales & trading
- Investment banking
- Research

Competitive Position

The professionals at MGI cater to the unique needs of institutional and private clients with customized, innovative and effective solutions.

Strategy for Growth

Building upon four years spent developing its platforms, MGI will further strengthen the capital markets, research and sales teams. On the wealth management side, the company will continue to aggressively recruit quality advisors. There is also potential to diversify geographically, by opening new offices in both western and eastern Canada.

McFarlane Gordon Inc. cont.

2004 Highlights

- Developed a credible capital markets group
- Added retail branches in Winnipeg, Manitoba and London, Ontario
- Participated in public financings totaling $425 million
- Increased revenue by over 400%

2005 Targets

- Increase revenue by 50%
- Increase number of retail advisors
- Strengthen capital markets group

T.E. Financial Consultants Ltd.

Business Profile

T.E. Financial Consultants Limited's (TEFC) seasoned team of professionals has provided wealthy Canadians with objective and independent financial counsel for over three decades. With offices coast to coast, TEFC is Canada's largest FEE-ONLY™ financial counseling firm. Today, through its wholly-owned investment management firm, T.E. Investment Counsel Inc., the company manages more than $1.3 billion in client assets.

Competitive Position

With a focus on clients, TEFC's approach is straightforward: objective and impartial advice. The company's high rate of client retention is attributable to a reputation for integrity. In a recent client survey, 97% of respondents described their TEFC consultant as "honest and a person of high integrity."

TEFC's approach is straightforward: objective and impartial advice

T.E. Financial Consultants Ltd. cont.

Strategy for Growth

To further grow the business, TEFC will enhance its team by aggressively recruiting successful financial advisors. Another source for expansion is the company's multi-manager pooled fund platform; an ideal offering for both independent consultants and affiliate companies. Opportunities also exist to further increase assets under management with potential acquisitions.

2004 Highlights

- Successfully launched a multi-manager pooled fund platform
- Second consecutive year of record profitability
- Assets under management surpassed $1 billion

2005 Targets

- Increase revenue by 75%
- Broaden distribution of multi-manager pooled fund platform
- Introduce services to the small pension plan market

Rice Financial Group Inc.

Business Profile

Rice Financial Group Inc. (RFG) is a community-based organization committed to helping Canadian investors achieve financial security and peace of mind at every stage of their lives by providing convenient and flexible financial solutions that respond to each client's individual needs.

A network of branch and associate offices stretches from the BC coast to the Ontario/Quebec border, administering assets in excess of $3.5 billion.

Rice Financial Group Inc. cont.

Competitive Position

Designed to serve investors seeking alternatives to big banking and insurance institutions, RFG has maintained a unique market position over the past 36 years. At a time when many other Canadian institutions are reducing their rural presence in favor of larger centers, the company continues to build upon its community-based distribution network; in some cases partnering locally to capitalize on opportunities available in underserved markets.

As a distribution centre for financial products from institutions across Canada, RFG also retains a competitive edge in its ability to configure complete life-cycle solutions tailored to each client's specific needs and resources. Rather than market itself as a product retailer however, the company has chosen to position its team as financial advisors, building long-term relationships and providing value-added services.

Strategy for Growth

RFG has built its business on a core group of clients attracted by the firm's fixed-income products. This group will serve as a base from which to grow the business in excess of industry peers.

With a view to geographically broadening its distribution network, the company intends to focus its branch expansion efforts in Ontario. As part of an overall strategy to more aggressively market its services and solutions to new and existing clients, the company will also continue to affect a shift in corporate image from product retailer to solution provider. As well, an enhanced range of financial solutions will help clients grow and protect their wealth.

RFG has maintained a unique market position over the past 36 years

Rice Financial Group Inc. cont.

2004 Highlights

- Company returned to profitability
- Management structure reorganized

2005 Targets

- Shift the company's image from financial retailer to financial solution provider
- Expand the company's geographical base
- Increase the number of fixed-income clients by 20%
- Grow the group insurance division
- Increase individual insurance revenues
- Grow the retirement products division

Gibraltar Alternative Asset Consulting Group

Business Profile

Gibraltar Alternative Asset Consulting Group (GCG) is a sales and marketing firm with a mandate to promote Jovian's affiliate products to financial service professionals across Canada. A team of seasoned professionals currently markets both traditional and alternative financial products to investment advisors and brokers throughout Ontario and western Canada.

Competitive Position

Represented by an experienced sales team, GCG currently markets a number of innovative investment products to a broad base of clients and prospects. Demand for alternative products has increased as a result of solid performance in 2004. As well, traditional products represented by the company enjoy proven portfolio management capabilities and name-brand recognition within the dealer community.

Gibraltar Alternative Asset Consulting Group cont.

Strategy for Growth

Going forward, GCG will develop and implement tools to position itself as partners in growth with Canada's dealer community. The team will continue to nurture existing relationships at the same time an enhanced sales presence in eastern and western Canada will foster new contacts. As well, GCG will continue to build brand recognition for the investment products it represents through a variety of marketing initiatives, including roadshows, branch presentations and conference calls.

2004 Highlights

- Introduced Accumulus family of funds and the Pescara Fund of Funds to dealer community
- Enhanced team with five new sales representatives
- Increased efficiency and effectiveness of communications sales process

2005 Targets

- Increase sales presence in western and eastern Canada
- Achieve $100 million in cumulative sales
- Further enhance sales team through improved education and effectiveness training

GCG will continue to build brand recognition for the investment products it represents

Asset Management

Felcom Management Corp.

Business Profile

Felcom Management Corporation (FMC) is an investment management company offering both traditional and alternative management skill sets. FMC clients include pooled funds, mutual funds, hedge funds and high net worth individuals.

Competitive Position

FMC has the benefit of an experienced team of portfolio managers with proven track records. The range of skills and experience has created solid performance numbers in the start-up phase of Jovian Capital's product continuum.

Strategy for Growth

FMC will focus on generating consistent, high-quality performance for each of its mandates and clients. Possessing tremendous confidence in its people, processes and ability to provide targeted financial solutions, the team will continue to add depth and expertise as it grows in time with the company's asset base.

2004 Highlights

- Appointed investment advisor for:
  - Galaxy Monthly Income Pooled Fund
  - Accumulus Mutual Fund Family
  - DeltaOne Energy Fund
- Successfully managed two new hedge funds
- Increased assets under management

2005 Targets

- Provide first tier investment performance to clients
- Grow assets under management to $200 million

Mountainview Asset Management Ltd.

Business Profile

Jovian Capital owns a 20% preferred income interest in Mountainview Asset Management Limited, manager of the Mountainview Opportunistic Growth Fund L.P. and Mountainview U.S. Momentum Fund L.P.

The L.P.'s are single-strategy hedge funds managed by Felcom Management Corporation under the direction of Andy Ecclestone, who has 15 years' industry experience managing both large and small Canadian and U.S. equities.

2004 Highlights

- Achieved a 74.29% return for the year ending March 31, 2004

2005 Targets

- Grow Mountainview to $20 million in assets

Pescara Partners Inc.

Business Profile

Jovian directly and indirectly owns 75% of Pescara Partners Inc., manager of the Pescara Fund of Funds. The manager's mandate is to develop multi-manager, multi-strategy hedge fund products.

Competitive Position

To provide quality fund of fund products in the alternate asset investment area.

Strategy for Growth

To build upon the Pescara brand name and offer a series of fund of funds that invest in different investment strategies in the alternate asset area.

Pescara Partners Inc. cont.

2004 Highlights

- Celebrated the fund's first anniversary
- Launched an off-shore version of the fund
- Achieved management milestone of $30 million
- Achieved an annual return of 19.65% for the year ending March 31, 2004

2005 Targets

- Continue the growth achieved in the last 12 months
- Launch two sister funds

Accumulus Management Ltd.

Business Profile

A mutual fund management company, Accumulus Management Ltd. (AML) focuses on growing and preserving investors' wealth. The company offers a family of five managed funds, including the Accumulus Talisman Fund, Accumulus Diversified Monthly Income Fund, Accumulus Short-term Income Fund, Accumulus Balanced Fund and the Accumulus North American Index Momentum Fund.

Competitive Position

With financial solutions designed to meet specific client needs, AML's products have unique features and/or methodologies that distinguish them within the market place.

Strategy for Growth

Capitalizing on opportunities available both within the Jovian group of companies and the external marketplace, AML will focus on expanding its distribution channels. The company expects significant growth in assets, driven by the strength of its solutions and portfolio advisor team.

Accumulus Management Ltd. cont.

2004 Highlights

- Launched the Accumulus Fund Family
- Added four new funds
- Accumulus Talisman Fund and Accumulus Balanced Fund unique among Canadian funds in their ability to short securities
- Attracted Ross Healy to sub-advise on the Accumulus Talisman Fund

2005 Targets

- Broaden distribution of Accumulus financial solutions
- Grow asset under management to $100 million

Corporate Financial Services

Felcom Data Services Inc.

Business Profile

Felcom Data Services (FDS) provides administrative services — including fund accounting, performance and analytics, as well as client and broker support — to fund companies and high net worth individuals.

FDS also provides management administration services — including regulatory reporting and document maintenance — to smaller management companies that lack the resources and/or experience.

Currently, FDS supports more than 50 customer products.

The manager's mandate is to develop multi-manager, multi-strategy hedge fund produ

Felcom Data Services Inc. cont.

Competitive Position

FDS has positioned itself as a provider of efficient, comprehensive and quality services delivered through close client relationships that emphasize a high level of personal service.

This has been accomplished through the careful selection of its staff and systems — fundamental ingredients in the service industry. The company has also been careful to select operating systems that incorporate the most current technology and versatile applications, along with flexibility and the potential for enhancement.

Strategy for Growth

Building upon its reputation, much of FDS' growth has stemmed from referrals and unsolicited inquiries from potential clients.

FDS is firmly committed to continue delivering flexible and comprehensive quality services, with an emphasis on achieving a high level of client satisfaction through superior customer service.

2004 Highlights

- Increased revenue by 30%
- Increased products serviced by 92%
- Acquired by Jovian Capital

2005 Targets

- Increase revenue by 50%
- Further broaden our exposure and expertise in alternative products
- Increase assets by 100%

Unless otherwise indicated, all references to the "company," "we," "our," "us" and "Jovian" refer to Jovian Capital Corporation.

Forward-looking Statements

The following discussion and analysis is intended to provide additional information with regard to our operations, business environment and factors that may affect our business and financial results.

The MD&A should be read in conjunction with Jovian's March 31, 2004, audited consolidated financial statements, note disclosure (the "Statements") and president's message, all of which form the 2004 annual report.

All amounts discussed herein have been prepared in accordance with Canadian generally accepted accounting principals and are expressed in Canadian dollars unless otherwise stated. The document contains forward-looking statements that are subject to future events. Management formulates estimates and assumptions based on our expectations regarding the future outcomes. However, actual results may differ materially from historical results and the estimates, due to the inherent uncertainty.

Overview

Jovian is a management and holding company with interests in a variety of financial services firms specializing in wealth management, asset management and the provision of third-party administration. We operate on a national basis, serving retail, corporate and institutional clients.

Over the course of the year, we have completed a number of business transactions and investments that have served to strengthen our market profile. On July 2, 2003, we completed a share exchange with Rice Capital Management Plus Inc. bringing together an experienced management team, a managed fund dealer (Rice Financial Group Inc. or RFG), an investment dealer (McFarlane Gordon Inc. or MGI), a financial services wholesaler (Gibraltar Alternative Asset Consulting Group Inc.), an investment counselor (Felcom Management Corp.), as well as a number of hedge fund management firms.

We operate on a national basis, serving retail, corporate and institutional clients

The initial framework was further expanded in the third quarter to include T.E. Financial Consultants Ltd. (TEFC), a well-established financial advisory and investment management firm, and Felcom Data Services Inc., a third-party fund accountant, transfer agent and administrator.

In the fourth quarter, we augmented Jovian's asset management platform with the launch of a group of managed funds under the Accumulus banner. In doing so, we were pleased to partner with Ross Healy's Strategic Analysis Corporation, which serves as portfolio advisor for the Accumulus Talisman Fund.

Moving forward, we remain focused on further developing each of our operating entity's core strengths, with an emphasis on building and nurturing client relationships, expanding market coverage, managing costs and profit margins and continued growth through strategic alliances and acquisitions.

Financial Results

As referenced in previous quarterly reports, the accounting treatment of the July 2, 2003, share exchange transaction between Jovian Asset Management Inc. (JAM) — formerly Jovian Capital Corporation — and Rice Capital Management Plus Inc. has resulted in the comparative figures solely representing those of JAM and not the consolidated operations of the combined company following the transaction.

In view of our acquisition of T.E. Financial Consultants Ltd. and Felcom Data Services Inc., and subsequent increase in size and operations during the year, it would not be meaningful to compare financial measures for 2004, year over year, to those of 2003. Therefore, our financial discussion and analysis focuses on the current year reporting and a comparison of the three months ended December 31, 2003 and March 31, 2004.

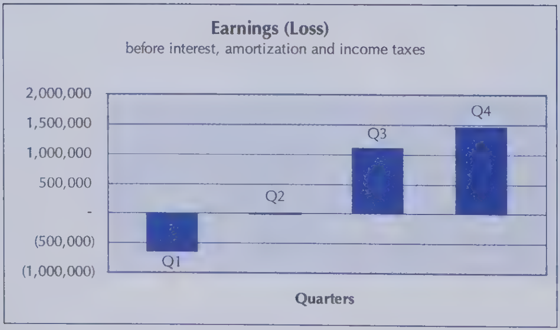
In addition, where meaningful, we have provided charts highlighting selected information from the financial statements. In these instances, quarters two, three and four (denoted, Q2, Q3 and, Q4) represent Jovian's operations following the July 2, 2003, transaction. For comparative purposes, quarter one (April 1, 2003 to June 30, 2003) represents the operating results of Rice Capital Management Plus Inc., the prior public company.

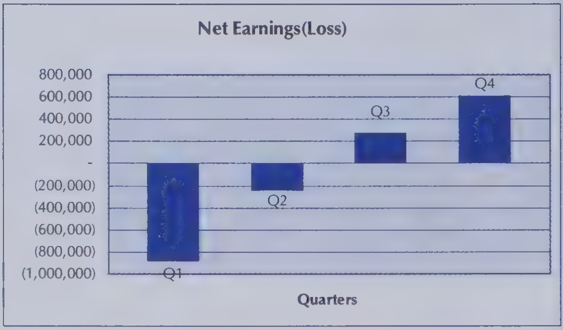
Net Earnings

Jovian reported net earnings for the year of $0.5 million on net revenues of $22.7 million. Fourth quarter earnings were $0.6 million on net revenues of $10.5 million, compared to $0.3 million on $7.5 million in the third quarter. Earnings before interest, amortization and income tax were $2.3 million for the year. This figure was $1.5 million in the fourth quarter, compared with $1.1 million in the third quarter.

We continue to show positive bottom-line results, quarter over quarter. This is due primarily to the fact that our commission revenue and earnings are spread across our three operating entities within the wealth management platform: MGI, RFG and TEFC. Each entity provided a positive contribution to net earnings.

Jovian's success will remain dependent on our wealth management business as we implement our strategy to grow the asset management and service platforms. The revenue realized by our wealth management division is transaction-based and largely difficult to predict. This is particularly true for the underwriting and investment banking activities of MGI. However, each entity operates within a different market niche and thus provides a level of diversification in the wealth management line of business.



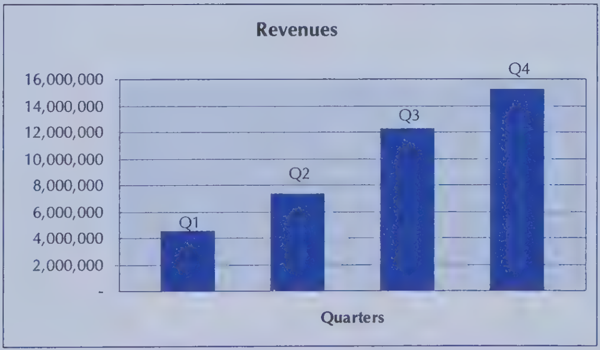


We continue to show positive bottom-line results, quarter over quarter

Revenue

Jovian reported $36.5 million in revenue for the year and $22.7 million in net revenue. Fourth quarter figures were $15.2 million and $10.4 million, compared to $12.3 million and $7.5 million in the third quarter.

The growth in revenue is a result of a full-quarter contribution made by newly acquired TEFC, compared to a partial contribution in the prior quarter. Revenue from TEFC, in combination with a strong insurance and RRSP season by RFG, also served to offset a reduction in MGI's transactional commission in the fourth quarter. Since TEFC's revenue includes little or no direct variable distribution commission, our net revenue as a percentage of total revenue will increase as TEFC's contribution to our total revenue increases. As evidence, net revenue as a percentage of total revenue for the fourth quarter was 69%, compared to 61% in the third quarter.



Expenses

Jovian reported $20.4 million in administrative, other selling and office costs for the year. Fourth quarter figures were $9.0 million compared to $6.4 million in the third quarter. As a percentage of total revenue, these figures were 59% and 52% respectively.

The increase in total expenses can also be attributed to TEFC's operations being fully recorded in the quarter. TEFC's incremental expenses, quarter over quarter, approximated $0.8 million. The remaining increase and its percentage of total revenue is primarily a function of our strategy to expand Jovian's brokerage platform; in the third quarter we opened retail branches in London, Ontario and Winnipeg, Manitoba. As new advisors require time to grow their books of business, associated costs generally exceed revenue. We have begun expanding our sales, trading and research floor, and have strengthened teams throughout our service platforms. Compensation for many of these new employees is classified within this expense. In the coming quarters, we expect these hiring initiatives to further contribute to revenue; both directly and through the support of those responsible for generating growth.

Liquidity and Capital Resources

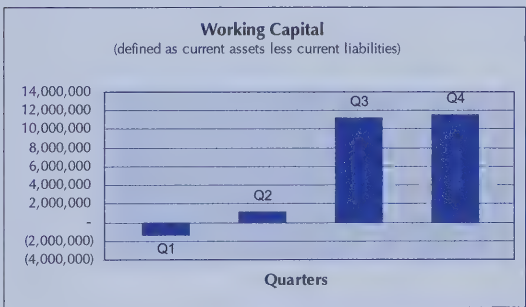
Jovian's balance sheet is comprised of highly liquid assets due to regulatory requirements and operational needs. Cash, and the cash equivalents, featured under the title "Securities Owned," total $14.3 million as at March 31, 2004.

During the year, we strengthened our balance sheet by raising $17 million through a common share and convertible debenture issuance, and the establishment of a $9 million credit facility with Brascan Financial Corporation. Proceeds of approximately $7.5 million were used to complete strategic acquisitions which we believe will contribute to our overall operating profit and liquidity as we go forward.

We remain cash-flow positive and strive to further enhance our earnings and liquidity through cost containment, leveraging of resources across platforms, as well as implementing revenue initiatives.

We remain cash-flow positive and strive to further enhance our earnings and liquidity

As we move forward with our strategy of growth, both organically and through acquisitions, we expect capital requirements to increase. Organic growth requires that capital resources be allocated to support growing businesses, while ensuring future returns to investors. As it is difficult to predict the timing and capital requirements of acquisitions, we focus instead on aligning ourselves with sources of capital. In taking such proactive measures, we are prepared to capitalize on opportunities as they arise.



Outstanding Share Data

Jovian's outstanding share data as at March 31, 2004, is as follows:

Common Shares Issued and Outstanding	73,168,391
Series 1 Preferred Shares Issued and Outstanding	8,789,572
Outstanding Options	7,255,500
Exercisable Options	2,395,500
Earnings Per Share:	
Basic	$0.01
Fully diluted	$0.01

Further information regarding our outstanding share data is provided in Note 15 of the Consolidated Financial Statements.

Risks and Uncertainties That Could Affect Future Results

Competition

Engaged in a highly-competitive marketplace, Jovian's operations are continually affected by those of other financial services companies, often with greater financial scales and distribution capacities. Although the players and themes are constantly changing, they include discount transaction firms, niche players, and fee-for-service arrangements. In order to compete and protect our existing market-share, we have strategically diversified our revenue sources and client base across a number of financial service channels.

Ability to Retain and Recruit Personnel

As a service provider, Jovian is dependent upon our employee's capacity to foster relationships and deliver quality of service. Our ability to nurture, enhance and augment client relationships is directly impacted by our employees' ability to meet their clients' needs and expectations. Recognizing the impact a competitive environment could have on our ability to retain and recruit qualified personnel, we have mitigated the risks by offering competitive, performance-based incentives, profit sharing programs and employee share purchase programs, which all serve to attract qualified employees who share management and shareholders' strategic focus.

General Market Risk and Consumer Confidence

The financial services industry is subject to a variety of inherent risk factors including, but not limited to, economic growth, market risk, inflation, political risk, interest rate risk, liquidity and market volatility. Each has the potential to impact consumer confidence, as well as Jovian's ability to generate revenue.

A reduction in revenue would more likely occur in our transactional-based businesses where trading and underwriting volumes could potentially decrease. We have mitigated this risk by selecting entities that produce non-transactional revenue. By investing in entities with fee-based revenue and owning managed products which seek to capitalize on market risk, we ensure a means of uninterrupted revenue during unstable times.

We have strategically diversified our revenue sources and client base

Strategic Relationships and Management of Organic and Acquired Growth

We will continue to grow our operations organically and through strategic relationships and acquisitions. In doing so, management must ensure resources are available to administer, monitor and manage a growing organization. There is no assurance that acquisitions or strategic partners will generate the positive earnings required to facilitate transactions. Without continued revenue growth, Jovian may experience a constriction in margins which could further inhibit its ability to invest in the people, systems and controls required to successfully manage its growing operations.

Regulation

Jovian is subject to a number of regulatory bodies throughout its financial services platforms. The regulatory environment is one of constant change, encompassing the current views of Provincial Securities Commissions, Stock Exchanges, the office of the Superintendent of Financial Institutions, the Investment and the Mutual Fund Dealers Associations of Canada and the Canadian Investor Protection Fund. These bodies regulate and protect the sale and purchase, underwriting and distribution of securities.

In a constant state of flux, regulations continue to tighten in response to the public's perception of the securities industry and the collapse of many public companies. Regulatory changes, incorrect interpretations or failure to comply with the laws, rules and regulations could all have an adverse affect on our company. We support all regulatory efforts to protect client interests and preserve the integrity and reputation of the industry and its members. We look forward to future developments that will further these objectives.

Critical Accounting Policies

The Notes to Jovian's March 31, 2004, Consolidated Financial Statements outline our accounting policies. The policies discussed below are considered to hold a particular amount of importance due to their use of management estimates or the requirement of an upcoming adoption condition which will impact future years.

Goodwill

Goodwill and other intangible assets with indefinite useful lives are not amortized, but are instead subject to impairment tests. We must apply our judgment in the selection and approach to determine fair value and any underlying assumptions. These judgments may affect the fair value and any resulting impairment write-downs. Further information regarding our goodwill accounting policy and the composition of our goodwill is included in Note 1 (m) and Notes 3 and 9 of the Consolidated Financial Statements.

Financial Instruments

Fair value for the majority of financial assets and liabilities is determined on quoted market prices. If quoted market values are not available, a best estimate of the amount for which the instrument could be exchanged in a current transaction is used. A provision is made in situations where we believe there is the potential for the amount realized on the sale to be less than the estimated fair value, due to liquidity or market concerns. However, as we primarily invest and trade in publicly-traded instruments, the use of estimates does not significantly affect our financial condition.

Stock-based Compensation Plans

Jovian will be required to adopt the fair value method of accounting for stock option awards beginning in its fiscal 2005 reporting. This method requires that we estimate the fair value of stock options awarded to employees and expense the fair value over the vesting period of the options. We have determined the pro-forma results had we applied this approach to the current year. Our estimates used to determine fair value and the resulting stock option fair value are provided in Note 1 (n) of the Consolidated Financial Statements, and a description of the stock-based plan is provided in Note 15.

We primarily invest and trade in publicly-traded instruments

Outlook

Jovian remains committed to growing all platforms within the organization: asset management, wealth management and third-party financial servicing.

We believe the financial service section will continue to show sustained growth over the coming years, fueled by a growing global economy and the continuing need for the baby boomer generation to accumulate, preserve and protect their financial assets. We have grown our platforms by making a number of carefully chosen investments which we believe will provide for excellent organic growth over the years to come. We believe these companies have been acquired at attractive value and we will continue to search for acquisitions that will further strengthen our overall strategy. We will particularly look for acquisitions to intensify our asset management platform.

Additional Information

Additional information relating to the company is available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements, which consolidate the financial results of Jovian Capital Corporation, were prepared by management, who are responsible for the integrity and fairness of all information presented in this annual report. The consolidated financial statements were prepared by management, in accordance with the Canadian generally accepted accounting principles (GAAP). Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 1 of the financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the financial statements. Management also administers a program of ethical business conduct compliance.

The board of directors appoints the company's audit committee annually. Among other things, the audit committee has a mandate to review the company's consolidated financial statements on a quarterly basis and to provide a recommendation to the board of directors for approval. The audit committee has access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies, and financial reporting matters.

KPMG LLP performed an independent audit of the consolidated financial statements, as outlined in the audit report below. KPMG LLP retains full and unrestricted access to management, the audit committee and the board of directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

The audit committee has reviewed the financial statements and management's discussion and analysis and recommended their approval to the board of directors. The board has, upon the recommendations of the audit committee, approved the financial statements and management's discussion and analysis.

Signed **"Philip Armstrong"**
President & CEO

Signed **"Jason Mackey"**
Chief Financial Officer

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Telefax (204) 957-0808
www.kpmg.ca

AUDITORS' REPORT

To the Shareholders of Jovian Capital Corporation

We have audited the consolidated balance sheets of Jovian Capital Corporation as at March 31, 2004 and 2003 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

June 14, 2004

Consolidated Balance Sheets
March 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash	$ 3,256,000	$ 993,000
Cash held in trust	971,000	–
Securities owned (note 4)	11,731,000	251,000
Short-term investments	–	118,000
Accounts receivable (note 5)	5,644,000	2,574,000
Loans receivable	619,000	–
Work in progress	400,000	–
Prepaid expenses and other assets	659,000	151,000
	23,280,000	4,087,000
Future income tax asset (note 13)	–	86,000
Other assets (note 6)	1,590,000	827,000
Deferred charges (note 7)	2,040,000	–
Property and equipment (note 8)	2,437,000	44,000
Goodwill and intangible assets (notes 1, 3 and 9)	18,286,000	175,000
	$ 47,633,000	$ 5,219,000

	2004	2003
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating credit facility (note 10)	$ 2,966,000	$ –
Trust liability	971,000	–
Accounts payable and accrued liabilities (note 11)	6,661,000	634,000
Income taxes payable	301,000	–
Promissory note (note 12)	200,000	325,000
Current portion of long-term debt (note 14)	1,133,000	–
Callable preferred shares	240,000	–
	12,472,000	959,000
Long-term debt (note 14)	8,456,000	–
Future income tax liability (note 13)	31,000	–
Provision for lease	–	63,000
Shareholders' equity (note 15):		
Capital stock	25,721,000	5,090,000
Warrants	54,000	–
Contributed surplus	103,000	74,000
Due to vendors	1,285,000	–
Deficit	(489,000)	(967,000)
	26,674,000	4,197,000
Commitments and contingencies (note 18)		
	$ 47,633,000	$ 5,219,000

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Signed "Thomas J. Rice" Director

Signed "Donald H. Penny" Director

Consolidated Statements of Operations
Years ended March 31, 2004 and 2003

	2004	2003
Revenue:		
Commissions and fees	$ 35,734,000	$ 2,602,000
Less: distribution commissions	13,737,000	825,000
	21,997,000	1,777,000
Other revenue	750,000	379,000
Net revenues	22,747,000	2,156,000
Expenses:		
Administrative, other selling and office costs	20,436,000	2,925,000
Earnings (loss) before interest, amortization and income taxes	2,311,000	(769,000)
Interest on debt	554,000	–
Amortization of property and equipment	424,000	41,000
Amortization of deferred charges	207,000	–
Amortization of intangible assets	263,000	–
	1,448,000	41,000
Earnings (loss) before income taxes	863,000	(810,000)
Income taxes (note 13)	385,000	(62,000)
Net earnings (loss)	$ 478,000	$ (748,000)
Earnings (loss) per share (note 15):		
Basic	$ 0.01	$ (0.02)
Diluted	0.01	(0.02)

Consolidated Statements of Deficit

Years ended March 31, 2004 and 2003

	2004	2003
Deficit, beginning of year	$ (967,000)	$ (219,000)
Net earnings (loss)	478,000	(748,000)
Deficit, end of year	$ (489,000)	$ (967,000)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years ended March 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$ 478,000	$ (748,000)
Adjustments for:		
Amortization of property and equipment	424,000	41,000
Amortization of deferred charges	207,000	–
Amortization of intangible assets	263,000	–
Future income taxes	197,000	(62,000)
Equity of earnings of affiliate	(11,000)	23,000
Lease loss	–	224,000
Write-down of promissory note receivable	–	40,000
	1,558,000	(482,000)
Change in non-cash operating working capital	(7,859,000)	99,000
	(6,301,000)	(383,000)
Financing activities:		
Proceeds from issuance of share capital	13,522,000	1,750,000
Proceeds from operating credit facility, net	3,000,000	–
Proceeds from long-term debt	3,446,000	–
Payment of long-term debt	(2,147,000)	–
Deferred charges	(909,000)	–
Other	(64,000)	–
	16,848,000	1,750,000
Investing activities:		
Purchase of property and equipment	(1,569,000)	(45,000)
Investment in affiliated company	–	(300,000)
Advanced to affiliated company	(650,000)	–
Purchase of long-term investment	–	(100,000)
Business acquisitions, net of cash acquired	(6,065,000)	25,000
	(8,284,000)	(420,000)
Increase in cash	2,263,000	947,000
Cash, beginning of year	993,000	46,000
Cash, end of year	$ 3,256,000	$ 993,000
Supplementary information:		
Interest received	$ 636,000	$ 406,000
Income taxes paid	360,000	–
Common shares issued on settlement of promissory notes	–	825,000

See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

Jovian Capital Corporation (formerly Rice Capital Management Plus Inc.) (the "Company") is a publicly traded Company listed on the TSX Venture Exchange (JVN). The Company is a management and holding company with interests in a variety of financial service firms specializing in wealth and asset management.

Effective July 2, 2003, the Company acquired all of the issued and outstanding shares of Jovian Asset Management Inc. (formerly Jovian Capital Corporation) ("JAM") in consideration for the issuance of 30,485,214 common shares of the Company.

Legally the Company is the parent of JAM. However, as a result of the share exchange and new management structure, this type of transaction is referred to as a "reverse takeover" in which JAM is deemed to be the acquirer for accounting purposes. Accordingly, the net assets of JAM are included in the balance sheet at book values and the deemed acquisition of the Company is accounted for by the purchase method with the net assets of the Company recorded at the fair value.

The comparative figures presented are those of the financial statements of JAM as at March 31, 2003. The current period financial statements include the operations of JAM from April 1, 2003 combined with the activities of the Company beginning the effective date of the reverse takeover.

The deemed purchase price of the Company by JAM of $6,000,000 was equivalent to the fair value of the shares JAM would have had to issue in order to provide the same percentage ownership of the combined enterprise to the shareholders of the Company. The purchase price has been allocated to tangible assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the estimated fair values of net tangible assets acquired has been recorded as goodwill and intangible assets. The acquired intangible assets consist of non-amortizable trade names of $600,000 and amortizable customer relationships of $5,800,000.

Total tangible assets acquired	$ 8,010,000
Goodwill and intangible assets	12,024,000
	20,034,000
Less total liabilities	(14,034,000)
Net assets acquired	$ 6,000,000
Consideration given:	
Common shares	$ 6,000,000

1. Significant accounting policies (continued):

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated upon consolidation.

The principal operating subsidiaries are:

- Rice Financial Group Inc.
- T.E. Financial Consultants Ltd.
- T.E. Investment Counsel Inc.
- McFarlane Gordon Inc.
- Gibralter Alternative Asset Consulting Group Inc.
- Felcom Management Corp.
- Felcom Data Services Inc.

The Company also has a 50% investment in Comox Valley Rice Financial Inc. that is accounted for using the proportionate consolidation method (note 19).

(b) Revenue recognition:

Securities transactions and related revenue, commissions and related clearing expenses are recorded in the accounts on a trade date basis.

Commission revenue related to the sale of investment products is recognized on a trade date basis. Trailer commission fees on mutual fund products are recognized over time as they become receivable.

Corporate finance revenue consists of underwriting revenue and fees from mergers and acquisitions and other corporate finance advisory assignments which are recorded when the underlying transaction is substantially completed under the terms of the engagement. Syndicate expenses related to securities offerings in which the partnership acts as an underwriter or agent are deferred until the related revenue is recognized.

Revenue from investment management services is recognized on the net asset value of client investment portfolios. Revenue from financial planning services (including taxation, financial planning and financial education services) is based upon the hourly rate as such services are rendered. The Company recognizes work in progress based upon management's estimate of the services performed to period end and is recorded at the lower of docket cost and net realizable values. Billings in advance of the delivery of services are recorded as deferred revenue.

1. **Significant accounting policies (continued):**

(b) Revenue recognition (continued):

Commission revenue on the subscriptions of individual insurance policies is recognized when the policy is underwritten by the insurance carrier. Commission revenue on group insurance policies is considered fully earned on the effective date of the policy.

(c) Cash held in trust:

Cash held in trust represents amounts deposited in trust accounts with Canadian financial institutions held principally for the settlement of purchase transactions, and cash held related to group insurance activities for remittance to insurance carriers. The corresponding liabilities are included in trust liability.

(d) Short-term investments:

Short-term investments are recorded at the lower of cost and fair value. At March 31, 2004, the fair value of the short-term investments was nil (2003 - $102,000).

(e) Securities owned and securities sold short:

Securities owned and securities sold short carried in the investment dealer subsidiary are carried at fair values as at the close of business at the balance sheet date. Fair value is based on quoted market prices for exchange-traded equities, futures and options and actively traded equities and fixed income securities traded in the over-the-counter markets. For non-quoted securities, fair value is determined using appropriate methods, which take into account the liquidity of the security, the size of the bid and ask spread, and the relative breadth of market, current yield adjustments and other factors. Realized and unrealized changes in fair value are recognized in income from principal transactions in the year in which the changes occur.

Securities held by others are carried at cost plus accrued interest which approximates fair value.

1. Significant accounting policies (continued):

(f) Property and equipment:

Property and equipment are stated at cost. The cost of furniture and equipment is being amortized using the declining balance method over the estimated lives of the assets at the following annual rates:

Asset	Rate
Furniture and equipment	20%
Computer equipment	30%

The cost of leasehold improvements is amortized by the straight-line method over the terms of the leases at rates varying between 10% and 50% per year. The cost of application software is amortized by the straight-line method over three years. Proprietary software is amortized by the straight-line method over five years.

(g) Deferred charges:

Costs incurred by the Company in conjunction with obtaining long-term debt are deferred and amortized on a straight-line basis over the term of the related debt. Costs relating to fees for client account transfers, transition fees, and the prepayment of amounts for customer relationships managed by investment advisors are amortized on a straight-line basis over three years.

(h) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Under this method of accounting, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs. When necessary, a valuation allowance is recorded to reduce future income taxes to an amount which will more likely than not be realized.

1. Significant accounting policies (continued):

(i) Foreign exchange translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates and non-monetary items are translated at the rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at average rates of exchange in effect during the year. Foreign exchange translation gains and losses are recorded in income in the year in which they occur.

(j) Investment in affiliate:

The investment in affiliate (RJS Global Investments Inc.) is accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses less dividends.

(k) Long-term investment:

Long-term investment is carried at cost less provisions for impairment which are other than temporary. The fair value of the long-term investment is not readily determinable.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(m) Goodwill and intangible assets:

Goodwill is the excess of the purchase price paid for the acquisition of a subsidiary over the fair value of the net assets acquired.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but are subject to impairment tests on at least an annual basis. Goodwill is allocated to reporting units and any potential goodwill impairment is identified by comparing the carrying value of a reporting unit with its fair value. If any potential impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit.

1. Significant accounting policies (continued):

(m) Goodwill and intangible asset (continued):

Intangible assets, other than goodwill, which do not have indefinite useful lives are amortized on a straight-line basis over their useful lives of 15 years. These intangible assets are subject to an impairment test when events and circumstances indicate the carrying amounts may not be recoverable.

(n) Compensation plans:

The Board of Directors has approved a profit sharing plan that provides for profit sharing with senior management of the Company and its affiliates on earnings in excess of pre-determined returns to shareholders.

The Company has stock-based compensation plans as described in note 15. The Company utilizes the intrinsic value approach to account for stock-based compensation. No compensation expense is recognized for these plans when the options are issued. Any consideration paid by employees on exercise of stock options is credited to capital stock.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2004: dividend yield of 0%; expected volatility of 50%; risk-free interest rate of 4.10%; and expected life of three to five years.

The following are pro forma results as if the Company had applied the fair value based method of accounting for stock-based compensation. The total fair value of 6,400,000 stock options that were granted by the Company during 2004 was $1,980,000. The pro forma cost of stock compensation expense for the year ended March 31, 2004 would be $979,000. The resulting pro forma basic loss per common share and fully diluted loss per common share for the year ended March 31, 2004 are $0.01 and $0.01, respectively.

The effects of applying this method in the pro forma disclosure are not indicative of future amounts. The Company's pro forma disclosure does not apply to awards prior to 2004, and additional awards are anticipated in future years.

(o) Per share calculations:

Basic earnings per share are calculated using the daily weighted average number of shares outstanding.

For the period from April 1, 2003 to July 2, 2003, the Company is considered to have had 30,485,214 common shares outstanding equal to the number of shares issued by the Company to JAM's shareholders on the transaction.

1. Significant accounting policies (continued):

(o) Per share calculations (continued):

Diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding during the period had all dilutive potential common shares been issued at the beginning of the period, or when the underlying options warrants or convertible securities were granted or issued, if later. The treasury stock method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options to acquire shares.

2. Investment in joint ventures:

The Company has a 50% interest in a joint venture, Comox Valley Rice Financial Ltd. ("Comox"), formed for the purpose of providing financial planning and products from an office in Comox, British Columbia. The investment is accounted for using the proportionate consolidation method. As at March 31, 2004 Comox had total assets of $189,000 and total liabilities of $36,000. For the period ended March 31, 2004 total revenues were $323,000 and total expenses were $295,000.

3. Acquisitions:

On October 27, 2003, the Company acquired all of the issued and outstanding common shares of T.E. Financial Consultants Ltd. ("T.E."), a leading provider of fee only financial services. The Company paid $7,241,000 cash, issued a promissory note with a maturity value of $1,160,000 and issued 625,000 common shares as consideration for the purchase. The acquired intangible assets consist of non-amortizable trade names of $400,000 and amortizable customer relationships of $1,900,000.

The initial purchase price is adjustable upward by adjustment to the maturity value of the promissory note based upon T.E. meeting certain performance measures over the period to September 30, 2007. All subsequent adjustments will be reflected as increases to goodwill.

On December 19, 2003, the Company acquired all of the issued and outstanding shares of Felcom Data Services Inc. ("Felcom Data"), a provider of third party services to mutual funds in Canada and abroad. The Company issued 1,000,000 common shares and a $200,000 promissory note as consideration for the purchase.

The purchase prices have been allocated to tangible assets acquired and liabilities assumed based on their estimated fair values of the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill.

3. Acquisitions (continued):

	T.E.	Felcom Data	Total
Total tangible assets acquired	$ 5,995,000	$ 368,000	$ 6,363,000
Goodwill and intangible assets	5,529,000	686,000	6,215,000
	11,524,000	1,054,000	12,578,000
Less total liabilities	3,109,000	154,000	3,263,000
Net assets acquired	$ 8,415,000	$ 900,000	$ 9,315,000
Consideration given:			
Cash	$ 7,241,000	$ –	$ 7,241,000
Note payable	737,000	200,000	937,000
Common shares	437,000	700,000	1,137,000
Total consideration	$ 8,415,000	$ 900,000	$ 9,315,000

4. Securities owned:

	2004	2003
Equities and options:		
Canadian:		
Listed equities	$ 242,000	$ 247,000
Warrants	425,000	2,000
United States:		
Listed equities	5,000	2,000
Money market securities	3,028,000	–
Fixed income funds	4,901,000	–
Fixed income securities	1,595,000	–
Short-term commercial paper	1,535,000	–
Total securities, at fair value	$ 11,731,000	$ 251,000

Money market securities consist of bankers' acceptances which mature between April 15, 2004 and June 7, 2004 with average effective yield of 2.07%. Fixed income securities consist of bonds, which mature between April 30, 2004 and June 8, 2004 with average effective yield of 2.38%. The short-term commercial paper has an annualized interest rate of 2.465%.

5. Accounts receivable:

Accounts receivable are comprised of the following:

	2004	2003
Commissions and fees receivable	$ 3,685,000	$ –
Due from carrying broker	1,533,000	209,000
Subscriptions receivable	–	2,365,000
Other	426,000	–
	$ 5,644,000	$ 2,574,000

6. Other assets:

Other assets are comprised of the following:

	2004	2003
Deposit with carrying broker	$ 250,000	$ 250,000
Investments:		
RJS Global Investments Inc. (50% interest)	488,000	477,000
Mountainview Asset Management Limited	100,000	100,000
Due from affiliated company	650,000	–
Contingency fund deposit	102,000	–
	$ 1,590,000	$ 827,000

The Company has a $250,000 fixed income security with the carrying broker as a margin deposit.

On November 27, 2002, the Company acquired 50% of all the issued and outstanding shares of RJS Global Investments Inc. for $500,000. The purchase price was satisfied by a cash payment of $300,000 and the issuance of a note of $200,000. RJS Global Investments Inc. is a financial services holding company and has a 50% interest in Pescara Partners Inc. Included in the cost of the investment is a current year equity earnings of the affiliate of $11,000 (2003 - loss of $23,000).

6. Other assets (continued):

On March 27, 2003, the Company entered into a royalty agreement with Mountainview Asset Management Limited ("Mountainview") for which the Company paid $100,000. Mountainview is the owner of 100% of the issued and outstanding shares of 2016941 Ontario Limited and 2016459 Ontario Limited, being the general partners of the Mountainview Opportunities Growth Fund and the Mountainview U.S. Momentum Fund. The Company will collect 20% of all revenues generated by each of the Managers, after payment of commissions and servicing fees to sales agents and wholesalers.

The amount due from affiliate is non-interest bearing and has no fixed terms of repayment.

Pursuant to regulations of certain provincial securities commissions, contingency fund deposits are required during the tenure of the Company's licence to conduct business.

7. Deferred charges:

Deferred charges, net of accumulated amortization, are as follows:

	2004	2003
Deferred finance charges	654,000	–
Deferred transition and transfer costs	1,386,000	–
	$ 2,040,000	$ –

8. Property and equipment:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	$ 691,000	$ 120,000	$ 571,000	$ 16,000
Computer equipment	606,000	131,000	475,000	13,000
Leasehold improvements	436,000	233,000	203,000	–
Application software	311,000	215,000	96,000	15,000
Proprietary software	1,150,000	58,000	1,092,000	–
	$ 3,194,000	$ 757,000	$ 2,437,000	$ 44,000

9. Goodwill and intangible assets:

			2004	2003
	Gross carrying value	Accumulated amortization	Net carrying value	Net carrying value
Finite-lived intangible assets:				
Customer relationships	$ 7,700,000	$ 128,000	$ 7,572,000	$ –
Indefinite-lived intangible assets:				
Trade names	1,000,000	–	1,000,000	–
	8,700,000	128,000	8,572,000	–
Goodwill	9,714,000	–	9,714,000	175,000
	$ 18,414,000	$ 128,000	$ 18,286,000	$ 175,000

10. Operating credit facility:

The Company has a $9,000,000 operating credit facility bearing interest at prime plus 3% per annum with a financial intermediary. The credit facility provides for the issuance of up to 2,000,000 common share purchase warrants, exercisable until November 6, 2006 at a price of $0.75 per common share, to the lender subject to amount drawn on the facility. The credit facility is secured by a general security agreement over all the assets of the Company. The credit facility matures on November 6, 2004.

As at March 31, 2004, $3,000,000 of the facility has been advanced and 500,000 common share warrants have been issued. The warrants have been assigned a value of $54,000 from the proceeds of the advance.

11. Accounts payable and accrued charges:

Accounts payable and accrued charges are comprised of the following:

	2004	2003
Trade	$ 1,675,000	$ 634,000
Commissions	4,986,000	–
	$ 6,661,000	$ 634,000

12. Promissory note:

The promissory note is non-interest bearing and is due June 18, 2004, repayable in cash or capital stock at the option of the Company.

13. Income taxes:

The components of the total income tax provision are as follows:

	2004	2003
Current income taxes	$ 246,000	$ –
Future income taxes	139,000	(62,000)
Income tax	$ 385,000	$ (62,000)

The components of the future income tax balance are as follows:

	2004	2003
Future income tax asset (liability):		
Non-capital loss carry-forwards	$ 2,010,000	$ 116,000
Other temporary differences	98,000	56,000
	2,108,000	172,000
Valuation allowance	(2,139,000)	(86,000)
	$ (31,000)	$ 86,000

The total recovery for income taxes in the consolidated statement of operations is at a rate less than the combined federal and provincial statutory income tax rate of the current period for the following reasons:

	2004	2003
Earnings (loss) before income taxes	$ 863,000	$ (810,000)
Combined statutory rate	34.3%	18.8%
Income tax expense based on statutory income tax rate	$ 296,000	$ (152,000)
Recognition of income tax rate reduction on future income taxes	(70,000)	4,000
Effect on non-deductible expenses	62,000	–
Other	(166,000)	–
Change in valuation allowance	263,000	86,000
	$ 385,000	$ (62,000)

13. Income taxes (continued):

The Company has non-capital loss carry-forwards for tax purposes which expire as follows:

Year ending March 31:	
2005	$ 23,000
2006	7,000
2007	127,000
2008	771,000
2009	1,466,000
2010	3,090,000
	$ 5,484,000

14. Long-term debt:

Details of long-term debt are as follows:

	2004	2003
Secured debentures:		
Secured by a general security agreement over the assets of T.E. Financial Consultants Ltd. subordinate to the operating credit facility (note 10): Callable, bearing interest at 8%, with a maturity value of $4,409,000, due December 12, 2006, repayable in full upon maturity. The debenture provides for an additional bonus interest payment of 4% at maturity on any portion of the debenture not converted into common shares prior to maturity. The principal and interest outstanding is convertible at the option of the holder into common shares of the Company for $0.75 per common share	$ 3,584,000	$ –
Secured by a general security agreement providing a fixed and floating charge over all assets, subordinate to the operating credit facility (note 10) and the $4,409,000 debenture: Bearing interest at 7%, due December 17, 2004, repayable interest only semi-annually until maturity. The principal amount of the debenture is convertible at the option of the holder into common shares of the Company for $1.20 per common share	1,000,000	–
Carried forward	4,584,000	–

14. Long-term debt (continued):

	2004	2003
Brought forward	$ 4,584,000	$ –
Bearing interest at 7%, due April 23, 2005, repayable interest only semi-annually until maturity	1,000,000	–
Bearing interest at 9%, due April 23, 2005, repayable interest only monthly until maturity. 620,000 warrants are attached with rights to acquire one common share of the Company per warrant for amounts increasing over time from $1.25 to $1.50 per common share	2,000,000	–
Other secured debt:		
Vendor take-back promissory note bearing interest at 6.7825%, due January 1, 2007, repayable interest only until maturity, secured until repayment in full by the assets acquired	500,000	–
Other long-term debt:		
Unsecured:		
Series 1 convertible bonds bearing interest at 7%, due December 14, 2006, repayable interest only semi-annually until maturity. The principal amount of the bonds are convertible at the option of the holders into common shares of the Company for amounts increasing over time from $1.00 to $3.00 per common share	587,000	–
122,000 Series 5 preferred shares with no dividend entitlement, retractable at the option of the holder on September 8, 2004 for $1.00 per share. The shares are convertible at the option of the holder into common shares of the Company for $1.30 per common share in September 2004	122,000	–
Non-interest bearing with a maturity value of $1,160,000, repayable in full October 27, 2007, repayable in cash or common shares	774,000	–
Capital lease, monthly payments of $1,000, final payment due December 2005	22,000	–
	9,589,000	–
Current portion	1,133,000	–
	$ 8,456,000	$ –

14. Long-term debt (continued):

Principal payments in aggregate and in each of the next four years are due as follows:

2005	$ 1,133,000
2006	3,011,000
2007	4,671,000
2008	774,000
	$ 9,589,000

15. Capital stock:

Authorized:
- Unlimited number of common shares
- Unlimited number of preferred shares issuable in series:
  - 10,265,500 Series 1 convertible preferred shares
  - Unlimited number of Series 2 preferred shares
  - Unlimited number of Series 3 preferred shares
  - 145,000 Series 4 preferred shares
  - 222,000 Series 5 preferred shares

Issued:

	Year ended March 31, 2004	
	Number of shares	Amount
Common shares		
Balance, beginning of year	–	$ 3,472,000
Common shares of the Company prior to acquisition	20,794,409	–
Issued by the Company pursuant to the acquisition of JAM valued at the fair value (note 1)	30,485,214	6,000,000
Exercise of options	150,442	75,000
Private placements	19,100,693	13,341,000
Conversion of Series 1 preferred shares	901,233	150,000
Employee share purchase plans	111,400	78,000
Acquisitions	1,625,000	1,137,000
Balance, end of year	73,168,391	$ 24,253,000

15. Capital stock (continued):

	Year ended March 31, 2004 Number of shares	Amount
Series 1 preferred shares		
Balance, beginning of year	–	$ 1,618,000
Preferred shares of the Company prior to acquisition	9,690,805	–
Conversion to common shares	(901,233)	(150,000)
Balance, end of year	8,789,572	$ 1,468,000
Closing balance		$ 25,721,000

In accordance with accounting standards applicable to reverse takeovers, the capital stock dollar amount becomes that of JAM, adjusted for the $6,000,000 purchase of the Company's net assets while the number of shares was that of the Company.

Stock options:

The Company has a stock option plan that permits 9,000,000 options to be granted to eligible participants subject to certain requirements. There are outstanding options to purchase 7,255,500 common shares which have been issued to directors, officers, key employees and consultants of the Company. A summary of the status of the Company's stock option plan as of March 31, 2004 and changes during the year is presented below:

	Year ended March 31, 2004 Options	Weighted average exercise price
Outstanding immediately after acquisition of JAM (note 1)	1,917,876	$ 0.83
Granted	6,400,000	0.42
Exercised	(351,832)	0.50
Expired	(710,544)	0.99
Balance, end of year	7,255,500	$ 0.47

The following options to purchase common shares were outstanding as at March 31, 2004.

	Exercise price	Expiry date by fiscal year	2004 Number outstanding	Exercisable at March 31, 2004
Year granted:				
March 31, 2004	$ 0.40 - 1.00	2005 - 2009	7,255,500	2,395,500

15. Capital stock (continued):

Warrants:

At March 31, 2004, the Company has 1,120,000 warrants outstanding of which 500,000 warrants entitle the holder to purchase one common share of the Company for each warrant at $0.75 per common share and the remaining 620,000 warrants entitle the holder to purchase one common share of the Company for each warrant, increasing over time from $1.25 to $1.50 per common share.

Due to vendors:

The Company's obligation to issue capital stock to satisfy consideration in relation to acquisitions and the exercise of stock options has been recorded and is reflected as a component of shareholders' equity. Subsequent to March 31, 2004, the Company issued 1,425,242 common shares to satisfy $985,000 of the due to vendors.

Earn in rights:

The Company has provided a right to acquire common shares of the Company on an "earn in" basis for a company controlled by a principal shareholder of Pescara Partners Inc., a fund management company acquired by the Company. This right provides for the "earn in" of 374,214 common shares of the Company based on Pescara Fund of Funds achieving certain levels of assets under management by January 31, 2005.

Earnings (loss) per share:

The weighted average number of common shares and Series 1 preferred shares outstanding for the year ended March 31, 2004 was 63,558,128.

16. Financial instruments:

Fair values:

The fair values of cash, accounts receivables, accounts payable and accrued liabilities approximate their carrying value due to their current nature. The fair value of long-term debt approximates its carrying value, since they bear interest at rates comparable to the prevailing market rates.

Credit risk:

The Company's financial assets that are exposed to credit risk consist primarily of accounts receivable. The Company earns its commissions and fees from various financial institutions for placing funds for a large number of customers broadly dispersed across Canada.

16. Financial instruments (continued):

Interest rate risk:

The Company is exposed to interest rate risk as its operating credit facility bears interest at a variable rate.

17. Related party transactions:

The Company entered into the following transactions with related parties which have been recorded at the exchange amount which is the amount that has been agreed to by the related parties.

During the year, the Company paid rents and signage costs of $381,000 to companies controlled by a significant shareholder of the Company.

Certain of the Company's officers and directors provided services for which no consideration was exchanged.

Security trades executed by the Company for directors and officers are transacted under the terms and conditions applicable to all customers.

Other assets in the amount of $650,000 are receivable from a company related through common management.

The $1,000,000 non-convertible debenture (note 14) bearing interest at 7% due April 23, 2005 is held and/or controlled by a significant shareholder of the Company.

18. Commitments and contingencies:

(a) The Company has entered into agreements to lease premises and equipment for various periods until 2011. Minimum rent payable for premises and equipment in the aggregate and for each of the next five years is as follows:

2005	$ 1,672,000
2006	1,118,000
2007	807,000
2008	547,000
2009	489,000
Thereafter	1,463,000
	$ 6,096,000

18. Commitments and contingencies (continued):

The amounts noted for property lease commitments are exclusive of the Company's obligation in respect of utility, common area and realty tax costs.

(b) The Company has signed a Letter of Intent to acquire all of the issued and outstanding shares of DeltaOne Capital Partners Corporation for consideration of $510,000 to be paid in cash and common shares of the Company.

(c) The Company is subject to certain legal claims arising in the normal course of business, none of which is expected to materially affect the financial condition of the Company.

19. Subsequent events:

(a) On April 1, 2004, the Company entered into a Purchase Agreement to acquire 50% of the issued and outstanding shares of Pescara Partners Inc. for cash consideration of $438,000 and the issuance of 560,000 common shares. In addition, the Company agreed to purchase a $60,000 shareholders loan for cash consideration of $60,000. Closing is expected to occur on July 30, 2004.

(b) On April 1, 2004, the Company acquired all of the issued and outstanding shares of Accumulus Management Ltd.

(c) Subsequent to March 31, 2004, the Company sold its 50% interest in Comox for cash consideration of $292,000 and contingent consideration of $32,000. The contingent consideration is dependent upon Comox achieving certain pre-set performance standards.

(d) Subsequent to year end, the Company entered into a binding agreement to acquire 77% of the issued and outstanding shares of Leon Frazer & Associates Inc. Initial cash consideration for the acquisition will be $2,292,912. The final amount to be paid will be pursuant to an agreed formula based upon the earnings of Leon Frazer & Associates Inc. as of March 31, 2005. The transaction is subject to regulatory and stock exchange approval and is contemplated to close on or about July 15, 2004.

20. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Thomas J. Rice, CLU Chairman of the Board

A founding director of Jovian Capital's predecessor RCM, Thomas also serves as a director for both the Investment Funds Institute of Canada, where he is also a dealer member, as well as Co-operators Mutual Funds. He has served on various committees for the establishment of the Mutual Fund Dealer's Association. Thomas is a founding member of the Federation of Independent Deposit Brokers and the Federation of Independent Mutual Fund Dealers. An active member in CAIFA and CALU, Thomas is also a director of the Independent Financial Brokers of Canada.

Philip Armstrong, BA (Law) Hons

With over 30 years' experience in the trust and asset management business, Philip was a founding partner of Altamira Investment Service Inc. when the company reorganized its original business model in 1987. Prior to its sale, Philip acted as the company's CEO and director. He became the founding principal of Jovian Capital in 2001. In the past, Philip has served as chairman of both The Investment Funds Institute of Canada (IFIC) and The Mutual Fund Dealer's Association (MFDA). He continues to serve on the board of the Ireland Fund of Canada.

Mark L. Arthur, MBA, CFA

Mark joined Jovian Capital as executive vice president. His career includes eight years with RBC Dominion Securities where he held positions as vice president and director, as well as vice chairman of the investment strategy committee. From 1989 to 2000, Mark was president and chief investment officer (CIO) for Royal Bank Investment Management Inc. Until 2002, Mark was president, CIO and director of RBC Global Investment Management Inc., vice president investments and director of Royal Mutual Funds, and chairman of RBC Investments' global investment strategy committee.

Bradley D. Griffiths, B Comm., C.A.

For more than five years beginning in 1984, Bradley oversaw mergers and acquisitions for the Canadian Imperial Bank of Commerce. In 1989, he joined Gordon Capital Corporation as a director and vice president. He became head of corporate finance and was appointed to the executive committee. In 1995, Bradley founded the independent brokerage firm Griffiths McBurney, serving as chairman and CEO until May 1999. After a brief retirement, Bradley joined Canacord Capital Corporation as head of corporate finance. In 2003, Bradley joined McFarlane Gordon Inc. as managing director of capital markets.

Melvin A. MacRae, CA

Mel was a founding director of Jovian Capital's predecessor RCM, where he acted as executive vice president and chief financial officer until 2002. Prior to joining Rice Financial in 1995, Mel was vice president and corporate secretary of a publicly traded trust and savings company. He has also served as a member of the Manitoba Securities Commission's advisory committee and a director of the Crown Corporations Council of Manitoba.

Patrick Matthews, CA

Patrick served as vice president of finance for Gendis Inc. from 1982 to 1997, at which time he became a business consultant. Patrick is also a director and chairman of the audit committees for both The Puratone Corporation and Jazz Golf Equipment Inc. He has served as president of the Manitoba Theatre Center and is currently a member of the finance and audit committee for the St. Boniface General Hospital.

Donald S. McFarlane, BA Economics

Donald began his investment career in 1980 with A.E. Ames and Co., which later became RBC Dominion Securities. In addition to sitting on the investment advisor council, he served as senior vice president and a member of the chairman's council for 11 years. Donald left RBC in 1996 to join Gordon Private Client Corporation, which was purchased by HSBC Securities in 1999. There, he remained managing director until he co-founded McFarlane Gordon Inc. in 2000.

John M. McKimm, BBA, LLB, MBA, FCSI

John serves as director for a number of private and public companies. In the past, he has served on the boards of Midland Walwyn Capital Inc., Richardson Greenshields of Canada Inc. and Prudential Bache Securities Canada Ltd.

Derek Nelson, B Comm.

Derek's experience in the investment industry spans a variety of disciplines. He spent ten years as a money manager, responsible for both large pension plans and the personal investment portfolios of substantial Canadian families. In the late 1970s, he became a partner of Gordon Securities where he led the sales and syndication roles. In 1996, he became founding chairman of Gordon Private Client Corporation, where he spent two years as executive vice president. In 2002, he joined McFarlane Gordon Inc. as vice chairman.

Donald H. Penny, FCA, LLD

The chairman of Meyers Norris Penny LLP, Donald resides on the board of TruServ Canada and is a director of Manitoba Telecom Services where he serves on both the audit and governance committees. Donald has also served as public governor of The Winnipeg Stock Exchange and national chairman of the Canadian Institute of Chartered Accountants from 1995 to 1998.

Bradley D. Rice

Bradley is currently executive vice president for Rice Financial Group Inc. Over the past 15 years, he has been involved in all aspects of the financial services industry while developing new financial strategies to serve Canadians. Bradley is responsible for evaluating and leading the retail distribution system that provides superior financial solutions to all clients.

Audit Committee

Donald Penny, Chair
Patrick Matthews
John McKimm

Compensation Committee

Melvin MacRae, Chair
Patrick Matthews
John McKimm

SHAREHOLDER INFORMATION

Shares and Stock Exchange Listing

The common shares for Jovian Capital Corporation are listed on the TSX Venture Exchange under the symbol JVN.

Registrar and Transfer Agents

Computershare Trust Company of Canada
6th Floor, 530 – 8th Avenue SW
Calgary, Alberta T2P 3S8

Auditors

KPMG LLP
Suite 2000, One Lombard Place
Winnipeg, Manitoba R3B 0X6

Legal Counsel

Goodman & Carr LLP
Barristers & Solicitors
Suite 2300, 200 King Street West
Toronto, Ontario M5H 3W5

Banks

Canadian Western Bank
The Royal Bank of Canada

Investor Relations

For additional information regarding Jovian Capital Corporation or its subsidiary companies, please contact either:

Duriya Patel
Secretary & General Counsel
dpatel@joviancapital.com

or

Jason Mackey
Chief Financial Officer
jmackey@joviancapital.com
26 Wellington Street East, Suite 920
Toronto, ON M5E 1S2
Ph: 416.933.5750
Toll free: 1.866.234.2552
Fax: 416.933.5751
joviancapital.com

Offices

Head Office

491 Portage Avenue
Winnipeg, Manitoba R3B 2E4
Ph: 204.786.0586
Fax: 204.774.1873

Executive Offices

26 Wellington Street East, Suite 920
Toronto, Ontario M5E 1S2
Ph: 416.933.5750
Toll free: 1.866.234.2552
Fax: 416.933.5751

Head Office: 491 Portage Avenue, Winnipeg MB R3B 2E4, P: 204.786.0586 F: 204.774.1873 joviancapital.com
Executive Office: 26 Wellington Street E., Suite 920, Toronto ON M5E 1S2, P: 416.933.5750 Toll Free: 1.866.234.2552 F: 416.933.5751